

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **August 13, 2002, Work Session**

AGENDA ITEM NO.: **7**

CONSENT:

REGULAR: **X**

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

ITEM TITLE **Adelphia Communications Corporation Bankruptcy**

RECOMMENDATION: Approval to participate in a group of localities in hiring legal counsel to protect the City's interests in the bankruptcy of Adelphia Communications Corporation and its subsidiaries and to approve an appropriation of \$5000 from the General Fund Reserve for Contingencies for such legal fees.

SUMMARY: The Virginia Municipal League (VML), Virginia Association of Counties (VACO) and Maryland Delaware Electric Coop Association has proposed joining together to hire a bankruptcy attorney to represent the collective interests of localities served by Adelphia. VML, VACO and the Maryland Delaware Electric Coop Association propose that the affected localities share the total costs based on the total amount of franchise fees received by towns and cities in Virginia from Adelphia in 2001 divided by the franchise fees received by each individual locality to arrive at each locality's percentage of expenses.

It is estimated that the City's share could be in the range of \$5,000.

Attached is a memorandum from VML that outlines work that has already been performed in the interest of Adelphia customers and the advantages of purchasing bankruptcy attorney services as a collective of localities served by Adelphia.

PRIOR ACTION(S): None

BUDGET IMPACT: \$5,000 from the General Fund Reserve for Contingencies

CONTACT(S): Bonnie Svrcek, Deputy City Manager
Mike Goetz, Director of Information Technology

ATTACHMENT(S): Memorandum from VML dated August 8, 2002
List of Virginia Localities served by Adelphia
Council Resolution

REVIEWED BY: lkp

Resolution

BE IT RESOLVED that \$5,000 is appropriated from the General Fund Reserve for Contingencies to the City Attorney's budget for legal fees associated with the Adelpia bankruptcy.

Introduced:

Adopted:

Certified:

Clerk of Council

172L

CITIES

CITY OF BEDFORD
CITY OF BUENA VISTA
CITY OF CHARLOTTESVILLE
CITY OF CHESAPEAKE
CITY OF DANVILLE
CITY OF FREDERICKSBURG
CITY OF LEXINGTON
CITY OF LYNCHBURG
CITY OF MARTINSVILLE
CITY OF NORFOLK
CITY OF SALEM
CITY OF STAUNTON
CITY OF VIRGINIA BEACH
CITY OF WINCHESTER
CITY OF WAYNESBORO

TOWNS

TOWN OF ABINGDON
TOWN OF ALTA VISTA
TOWN OF AMHERST
TOWN OF BERRYVILLE
TOWN OF BLACKSBURG
TOWN OF BOYCE
TOWN OF BRIGEWATER
TOWN OF CHATHAM
TOWN OF CULPEPER
TOWN OF FRONT ROYAL
TOWN OF HURT
[TOWN OF INDEPENDENCE](#)
TOWN OF LEESBURG
TOWN OF MIDDLETOWN
TOWN OF NEW MARKET
TOWN OF PEMBROKE
[TOWN OF PULASKI](#)
TOWN OF RICHLANDS
TOWN OF SMITHFIELD
TOWN OF SOUTH BOSTON
TOWN OF STEPHENS CITY

TOWN OF STUART
TOWN OF WARRENTON
TOWN OF WOODSTOCK

COUNTIES

COUNTY OF AMELIA
COUNTY OF BEDFORD
COUNTY OF BOTETOURT
COUNTY OF BUCKINGHAM
COUNTY OF CHARLES CITY
COUNTY OF CLARKE
COUNTY OF FREDERICK
COUNTY OF HENRY
COUNTY OF MECKLENBURG
COUNTY OF NORTHUMBERLAND
COUNTY OF ORANGE
COUNTY OF PITTSYLVANIA
COUNTY OF PULASKI
COUNTY OF RAPPAHANNOCK
COUNTY OF WESTMORELAND
FAUQUIER COUNTY
MATHEWS COUNTY
POWHATAN COUNTY
SMYTH COUNTY
STAFFORD COUNTY
TAZEWELL COUNTY



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MEMORANDUM

To: Localities served by Adelphia Communications

From: Mark K. Flynn, Director of Legal Services

In re: Adelphia Communications Corporation bankruptcy

Date: 9 August 2002

This memo is written to invite your locality to participate in a group of Virginia towns, cities and counties in order to protect your interests in the bankruptcy of Adelphia Communications Corporation and its subsidiaries. The main goal of the group will be to insure continued internet service to your communities and to insure continued payment of franchise fees by Adelphia and its subsidiaries.

Attached is a list of the localities we have a record of being served by Adelphia. If you know of any localities served by Adelphia that are not on the list please contact me with that information.

The plan is for VML & VACO, along with the Virginia, Maryland, Delaware Electric Coop Association to go together to hire one bankruptcy attorney in New York to represent your interests. In addition to bankruptcy counsel, we are working with Jim Baller, an attorney in D.C. who specializes in telecommunication work. Two weeks ago, because action had to be taken, we authorized the bankruptcy attorney, Ron Cohen, to file an objection to the motion by Hanover Insurance, the surety on Adelphia's blanket performance bonds, to be released from the bond obligation. Hanover withdrew the motion, at least in part due to our objection.

The cost for this litigation over the next year will be significant. Mr. Baller has cautioned us to expect a possible total of \$90,000 over the next six months. If we go forward with this, we will definitely work to keep the costs down. For forecasting, however, VML, which has tentatively agreed to 40% of the total, could face \$36,000. Because the Adelphia case does not affect all localities, VML cannot fund the project with general funds. It will be necessary for the affected localities to fund the work. VML can make the up-front payments, but will need to be reimbursed by the towns and cities served by Adelphia.

To distribute the costs of the bankruptcy most equitably, we propose that each Adelphia-served town and city pay a share of the total costs based on a formula as follows: Add all franchise fees received by towns and cities in Virginia from Adelphia for calendar year 2001. Divide that number into the franchise fees received by each individual town or city to arrive at that locality's percentage of the expenses. When bills come in from the attorneys, we will pay them and send statements for each locality's share.

Before we can finalize an agreement to have Virginia's localities served by counsel, we will need to hear from you that you agree to this plan. If a council action is needed, but is not possible for a few weeks, please let me know on a preliminary basis whether you think your locality will participate.

To move forward, I also will need to know how much your locality received in franchise fees in calendar year 2001 or F.Y.2001, whichever is easier.

In summary, please contact me for the following:

- Any questions or suggestions
- A preliminary vote on whether your locality will participate
- The amount of franchise fees received from Adelphia or an Adelphia subsidiary for calendar year 2001 or F.Y.2001. Please identify which you are sending.

We believe that moving forward together as proposed in this memo will be much more advantageous to all localities affected by the Adelphia bankruptcy. Your interests will be protected in the most cost-effective way possible. Your locality will not be forced to scramble for an attorney if the situation explodes in some unexpected way.